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Déja vu for Blue: D.C. leaders going after CareFirst's reserves again

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Washington, D.C., officials haven't given up their fight to funnel money from the reserves of **CareFirst BlueCross BlueShield** toward community health initiatives in the nation's capital.

The Washington, D.C., insurance commissioner will hold a public hearing next month to determine whether Owings Mills-based CareFirst holds excessive cash reserves in its D.C. affiliate. If the insurance commissioner determines that the reserves are too large, it will ask the nonprofit to contribute the excess funds to community health initiatives.

CareFirst, which has about 3.2 million members in Maryland, D.C. and Northern Virginia, said in a report it submitted to the Washington, D.C., insurance commissioner that it could lose at least $12 million annually to meet the D.C. requirement.

The Sept. 10 hearing is the latest saga surrounding the often-contentious relationship between CareFirst and Washington, D.C., officials surrounding its reserves. Insurers typically keep large cash reserves to cover the cost of catastrophic or unforeseen events such as a pandemic. Health care advocates and lawmakers in D.C. have worked with CareFirst for about five years to get the insurer to expand coverage to more residents in the District.

But Washington's moves have met resistance from Maryland lawmakers who worry D.C. would inadvertently take money derived of premium revenue paid by the company's members living in Maryland. In April, Maryland lawmakers unanimously passed legislation late in the General Assembly session that could prevent CareFirst BlueCross BlueShield premiums paid by its members in Maryland, including those portions covered by CareFirst's D.C. affiliate, to cover the cost of health care in Washington.

Aware of the Maryland law, D.C. regulators realize their decision can only apply to CareFirst policy holders in D.C., said Philip Barlow, associate commissioner for insurance for the District's department of insurance, securities and banking.

CareFirst's D.C. affiliate had $687 million in reserves last year and covers 1 million members in Northern Virginia, Washington, D.C., and Montgomery and Prince George's counties. Its risk-based capital ratio, or the amount of cash reserves compared with its measure of risk associated with unexpected claims and expenses, is 845 percent.

That level is within the range recommended by actuarial firm Millman Inc., CareFirst officials said in a report submitted last month to the D.C. insurance commissioner. But Washington officials plan to hire their own consultant to review CareFirst's reserves.

“Like all insurers, we hold reserves on behalf of our policyholders, for their protection,” CareFirst spokesman Jeff Valentine said in a statement. “These reserves are built from the premiums paid by our members. We believe our reserves are appropriate.”

CareFirst officials declined to comment further since they are still preparing for the hearing.

With the economic downturn, the health care needs of Washington, D.C., area residents are quite high, said Walter Smith, executive director of advocacy group DC Appleseed Center. A company with the assets of CareFirst could underwrite public education on obesity or efforts to prevent diabetes.

The fact that Washington’s insurance commission is looking solely at the District’s reserves is a step in the right direction, said Del. Dan Morhaim, a Baltimore County Democrat who sponsored the Maryland law regarding CareFirst reserves. But Maryland legislators would have to look at the big picture and make sure that what happens in D.C. doesn’t impact its operations in Maryland, Morhaim said.